

Message Text

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15

ACTION EA-14

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 RSR-01 AGR-20 L-03 /112 W

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R 140652 Z MAY 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6885

INFO AMCONSUL MEDAN

LIMITED OFFICIAL USE JAKARTA 5698

FOR BARGER

E. O. 11652: N/ A

TAGS: BGEN, EFIN, ID

SUBJECT: INVESTOR PROBLEMS: WEYERHAEUSER

REFS: A) JAKARTA 5426; B) STATE 085875

1. EMBASSY OBTAINED APPOINTMENT FOR WEYERHAEUSER (STROH) WITH MINISTER SUMARLIN MAY 10. E/ C COUNSELOR ATTENDED AT SUMARLIN' S REQUEST. SUMARLIN SHOWED LIVELY INTEREST IN NUMEROUS EXAMPLES OF CONFLICT BETWEEN TAX PROVISIONS ESTABLISHED BY CENTRAL GOVERNMENT AND THOSE IMPOSED BY LOCAL AUTHORITIES. HE WAS ABOUT TO MEET WITH ALL PROVINCIAL GOVERNORS ON STATE ADMINISTRATIVE REFORM ISSUES AND STATED INTENT TO DISCUSS THIS PROBLEM AREA WITH THEM. E/ C COUNS. NOTED WIDJOJO' S COMMENT THAT NEW INVESTMENT COORDINATING BOARD WOULD HAVE AUTHORITY OVER CENTRAL/ LOCAL JURISDICTIONAL MATTERS AND SUMARLIN CONFIRMED IT WOULD BE EXPECTED TO DEAL WITH SUCH TAX MATTERS IN THIS CONTEXT.

2. STRONG PITCH MADE THAT WEYERHAEUSER HAS RECENTLY EXPANDED ITS ASIAN GOALS GREATLY, REFLECTING RECOGNITION
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OF TIMBER RESOURCE SHORTAGES GENERALLY AND ASIAN POTENTIALS SPECIFICALLY. AS LARGEST FOREST INVESTOR IN INDONESIA, INEQUITIES OF TAX TREATMENT
VIS- A- VIS NEAREST CONTENDER (REF A) PENALIZES FIRM WHICH HAS DEMONSTRATED GREATEST PERFORMANCE AND CONFIDENCE IN INDONESIA. SUMARLIN APPEARED SYMPATHETIC THIS REASONING AND APPRECIATIVE OF IMPLICATIONS IN TERMS PROSPECTS FOR MAJOR FOLLOW- ON PROCESSING INVESTMENTS. IMPORTANCE

OF RESOLVING PROBLEMS BEFORE JULY WHEN WYERHAEUSER HAD ENVISAGED FURTHER INVESTMENT PROPOSALS , WAS ALSO STRESSED.

3. WHILE NO ASSURANCE OBTAINED THATSUMARLIN COULD OR WOULD TAKE REMEDIAL STEPS, HE DID INDICATE INTENT TO DISCUSS TAX PROBLEMS WITH GOVERNOR AND FINANCE MINISTER. WEYERHAEUSER REP CONSIDERED MEETING USEFUL STEP IN, AT MINIMUM, FAMILIARIZING KEY OFFICIAL WITH CONFLICT BETWEEN COMPANY INVESTMENT AMBITIONS AND ITS PRESENT PROBLEMS. TOUSSAINT

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NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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